

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Market Entry and Regulation of)
Foreign-affiliated Entities)

IB Docket No. 95-22
RM-8355
RM-8392

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COMMENTS OF THE NYNEX CORPORATION

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SUMMARY

In the Notice, the Commission has tentatively concluded that the unrestricted entry of foreign facilities-based carriers into U.S. markets does not serve the public interest when U.S. carriers do not have effective opportunities to compete in the foreign carriers' primary markets. To address this concern, the Commission proposes to add an "effective market access" test as an "important element" of the public interest standard it uses to consider whether foreign carriers should be authorized, pursuant to Section 214 of the Communications Act of 1934, to provide facilities-based international services. The Commission also invites comment on whether the effective market access standard test should be triggered when the foreign ownership level in a U.S. carrier exceeds ten percent, twenty-five percent, or some other level of the capital stock of the applicant.

NYNEX believes that the effective market test is inconsistent with the Commission's objectives to promote liberalization in foreign markets. We believe that, instead of promoting competition and improving the ability of U.S. carriers to participate in global markets, the Commission's proposal may incite foreign administrations to impose retaliatory measures. Thus, we propose in these comments that, should the Commission decide to adopt the effective market access standard, it should apply the standard, if at all, only when a foreign carrier seeks to acquire a controlling interest in a U.S. international carrier. Alternately, the Commission should apply the effective market test on a reciprocal basis wherein the test would be triggered only when a foreign carrier seeks to acquire an interest in a U.S. international carrier at an ownership level that would

require prior approval if a U.S. carrier sought a comparable interest in a carrier in the would-be entrant's primary market.

In addition, the Commission should streamline the Section 214 process, thereby eliminating unnecessary entry regulation. Specifically, the Commission should adopt rules establishing deadlines for acting on Section 214 applications and limit the information required in the application to data related directly to the public interest criteria by which the application will be judged. The Commission also should grant U.S. international carriers "blanket" 214 authority on all international routes on which they would be deemed nondominant under the Commission's rules.

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COMMENTS OF THE NYNEX CORPORATION

NYNEX Corporation ("NYNEX") hereby submits these comments in response to the Notice of Proposed Rulemaking ("Notice") in the above-captioned proceeding.¹

I. INTRODUCTION

NYNEX commends the Commission for embarking on this rulemaking to reexamine its policies governing the provision of U.S. facilities-based international services. Given the rapid changes taking place in the international telecommunications services market, the Commission's efforts are timely and, if properly pursued, likely to improve significantly the global marketplace. The Commission also should be applauded for acknowledging the need for a transparent regulatory environment, based on "coherent principles," to govern foreign entry into U.S. markets.²

However, NYNEX questions whether the "effective market access" test the Commission proposes to include as part of the international Section 214 application process³ would be consistent with the Commission's objectives to promote competition in global markets and to facilitate the participation of U.S. carriers in these markets. The reciprocal market access

¹ Market Entry and Regulation of Foreign-Affiliated Entities, *Notice of Proposed Rulemaking*, IB Docket No. 95-22, FCC 95-53 (released February 17, 1995) (hereafter "Notice").

² Notice at ¶ 25.

³ Notice at ¶ 1.

standard proposed by the Commission may be perceived by foreign carriers and governments as a “closing” of U.S. markets. Indeed, there are indications that such a perception of U.S.

proposals to impose a reciprocal access standard is developing abroad, including in some of the largest and potentially most lucrative foreign markets.⁴ This misperception could cause foreign governments to take retaliatory actions resulting in the closing of their markets to U.S. carriers.

Thus, adoption of the effective market access standard could have the unintended consequence of slowing or reversing the strong global trend toward competition and open investment in international telecommunications markets.

We are concerned, in addition, that the Commission’s proposals do not include measures that would streamline or accelerate the international Section 214 application process.⁵ There is a significant risk that, absent such measures, the Commission’s proposals could result in the imposition of restrictions limiting future investment and growth opportunities for U.S. carriers abroad. NYNEX agrees with the Commission that rote application of the effective market access test as the basis for evaluating foreign carrier applications would not serve the public interest.

We note, however, that a flexible approach would not appear to reduce “uncertainty in the market,” result in a “uniform standard” for regulating access to the U.S. market,⁶ or be

⁴ Ian Taylor, Minister of Trade and Technology for the United Kingdom, reportedly urged the United States to “agree to a multilateral approach to liberalization under the auspices of present discussions in the World Trade Organization, rather than bilateral reciprocity, which seems to be their present approach.” See *Telecommunications Reports*, “Gore Says U.S. Will Pursue Bilateral Market Openings,” March 6, 1995, at p. 23. In addition, Wolfgang Boetsch, Minister of Posts and Telecommunications for Germany, also reportedly has stated that the reciprocal access model advocated by U.S. policymakers should “Be thought over again.” See *Communications Daily*, “Germany Seeks Support for Deregulation Model; Avoids U.K., U.S. Route,” April 4, 1995, at p. 4.

⁵ The Commission states that it is “trying to avoid sending a signal that might be misinterpreted as a closing of our markets.” Notice at ¶ 5. It suggests that such an interpretation would be erroneous because the proposed effective market access test would not be dispositive, but rather would be applied in a “flexible” manner and balanced with the other public interest factors. The Commission does not indicate, however, why this “flexible approach” would be likely to overcome the perception abroad that an additional test for entering the U.S. market exists that will result in additional restrictions on entry. Moreover, the flexibility the Commission proposes to incorporate into its approach, involving the balancing of the various elements in the modified public interest standard, appears necessarily to require case-by-case review of each application and of more factors than under the current standard.

⁶ Notice at ¶ 32.

“administratively more efficient and less of a burden on the Commission’s resources” all of which are qualities the Commission ascribes to its proposed approach. In order to reduce uncertainty and promote efficiency, NYNEX urges the Commission to adopt rules establishing deadlines for acting on Section 214 applications and to limit the information it requires in those applications to data directly related to the applicable public interest criteria by which the application will be judged. Moreover, the Commission should grant U.S. international carriers “blanket” 214 authority on all international routes on which they would be deemed nondominant under the Commission’s rules.

Regarding implementation of the effective market access test, NYNEX recommends that, if that test is adopted, its application should be limited. We propose that the Commission apply the test only when a foreign carrier is seeking to acquire a controlling interest in a U.S. international carrier. We believe that foreign ownership of a non-controlling interest of less than 25 percent in a U.S. international carrier should be deemed presumptively to be in the public interest. Alternately, the Commission should apply the test on a reciprocal basis. That is, the test would be triggered only when a foreign carrier seeks to acquire an interest in a U.S. international carrier at an ownership level that would require prior approval if a U.S. carrier sought a comparable interest in a carrier in the would-be entrant’s primary market.

II. THE COMMISSION SHOULD ADOPT POLICIES THAT PROMOTE OPEN MARKETS AND GLOBAL COMPETITION

NYNEX agrees with the Commission that its regulations governing the U.S. international telecommunications market should promote effective global competition, prevent anticompetitive conduct, and encourage foreign administrations to open their communications markets to investment by U.S. and other international carriers. NYNEX supports telecommunications policies that promote liberalization. The benefits of increased competition to U.S. customers are indicators of the success that a liberalized regulatory scheme can generate.

These benefits inure to U.S. customers in all categories of telecommunications services, from basic to enhanced services, and in the now burgeoning wireless marketplace, as well as the unprecedented investment in the building of the National Information Infrastructure by the private sector. Today more Americans enjoy a wider selection of providers and services than ever. As the Commission points out, “[t]he United States has become the most vital market for shaping world competition -- over 20 percent of all international communications services involve the United States.”⁷

NYNEX long ago recognized the “increasingly global”⁸ nature of telecommunications markets and has advocated that foreign governments lift their foreign ownership restrictions and adopt liberalized entry policies that attract private investment and spur telecommunications sector growth. The global trend toward liberalization and the removal of entry barriers has created significant opportunities for U.S. carriers, including NYNEX, to invest in international telecommunications markets. NYNEX has made strategic investments in international markets that allow this company to apply, on global scale, its expertise in operating telecommunications networks. That said, NYNEX agrees with the Commission that “many important foreign communications services and facilities markets or market segments remain closed” to U.S. carriers.⁹ The Commission should adopt policies governing foreign carrier entry into the U.S. market that create “an incentive for foreign administrations with currently closed markets to consider opening their markets.”¹⁰

⁷ Notice at ¶ 20.

⁸ *Id.*

⁹ Notice at ¶ 22.

¹⁰ Notice at ¶ 25. The Commission concludes tentatively that the proposed inclusion of an “effective market access” test in the Section 214 public interest standard would achieve this objective. NYNEX is concerned, however, that the test, will not have the desired effect. As discussed in the remainder of this section, NYNEX believes that the policy changes proposed in the Notice should be judged primarily on whether they will promote or discourage opportunities for U.S. carriers and other entities to invest in foreign telecommunications markets. As noted, NYNEX agrees that the Commission’s regulations must prevent anticompetitive conduct in the provision of international facilities and

A. The Commission Should Address More Fully the Risk that the Proposed Effective Market Access Standard May Invite Retaliation

Implementation of the proposed effective market access standard would create the risk that foreign administrations will retaliate by imposing new restrictions or retarding the removal of existing restrictions on U.S. entry and investment in their markets. This unintended result could adversely affect NYNEX's and other U.S. carriers' ability to invest abroad. In recognition of this issue, the Commission explicitly rejected AT&T's proposed "comparable market access" standard,¹¹ and suggested that the "flexible approach" would address "concerns about inviting retaliation."¹² We believe that, because it has not adequately considered the issues presented below, the Commission's approach is unlikely to advance its intended objectives.

First, in its effort to "maintain flexibility" in applying the modified standard, the Commission's approach, which would afford the Commission wide latitude and discretion in determining whether to allow a particular carrier to enter the U.S. international facilities-based services market, may invite -- rather than resolve the concern about inviting retaliation.¹³ The Commission does not explain why other countries would be unlikely to give their regulatory authorities similar discretion to restrict U.S. carriers' access to their markets, or why such

services. We note that the Commission's existing Section 214 public interest standard focuses on whether the foreign carrier seeking to enter the U.S. market has the ability in its home market to discriminate against unaffiliated U.S. carriers. NYNEX believes that this policy adequately protects against anticompetitive conduct that could be harmful to U.S. consumers.

¹¹ Notice at ¶ 49.

¹² *Id.*

¹³ Under the modified public interest standard, the Commission would examine six factors to determine whether effective market access exists for U.S. carriers in the "primary market" or markets of the foreign carrier seeking entry. None of the six factors would be dispositive, and the factors would be weighed on a case-by-case basis. Then the Commission would balance, also on a case-by-case basis, the results of the effective market access test with the other factors in the public interest standard, in order to determine whether the carrier should be allowed to enter the U.S. market. The Commission allows itself so much flexibility that it could deny a foreign carrier entry even if effective market access exists for international facilities-based services in the carrier's primary market (Notice at ¶ 41) or allow a carrier to enter even if it cannot demonstrate that effective market access exists for U.S. carriers in its primary markets (Notice at ¶ 49).

authorities would be unlikely to exercise this discretion, particularly since U.S. telecom market and investment policies generally still contain restrictions that impact foreign entrants.¹⁴

NYNEX believes the Commission should not incorporate the effective market access standard into its review process for Section 310(b) applications.¹⁵ The Commission should, instead, clarify the burden of proof standard, require parties who seek to retain the applicability of the 20 percent ownership limitation in any given circumstance to demonstrate to the Commission why granting a license to a prospective licensee with a higher foreign ownership threshold is not in the public interest. Thus, instead of requiring a foreign entity to seek a waiver, such a standard would allow foreign ownership unless an opposing party convincingly makes the case that a waiver would not be in the public interest. This approach is fully consistent with the letter and intent of the statute. Moreover, in adopting such an approach, the Commission would preserve some flexibility to use these restrictions to influence other countries to open their markets, but would take away the perceived total prohibition -- and the upfront regulatory approval process -- that foreign entities view as blocking their ability to own U.S. radio licenses. The approach we suggest would make the United States an even more attractive marketplace for investment in telecommunications and may have the added benefit of liberalizing of foreign ownership restrictions.

If the effective market access test is adopted, NYNEX recommends that it be triggered only when a foreign carrier seeks to acquire a controlling interest in a U.S. international carrier.

¹⁴ Specifically, Section 310(b)(4) of the Communications Act limits foreign direct ownership of U.S. radio licenses to 20 percent and indirect ownership, absent a waiver, to 25 percent. These foreign ownership limits are more restrictive than in some other countries, including several in which U.S. carriers own interests in cellular licenses well in excess of the levels prescribed in Section 310(b). If the Commission were to adopt the effective market access test and other countries followed suit, U.S. carriers' ability to participate in wireless service markets around the world could be harmed.

¹⁵ NYNEX supports congressional action to limit or repeal the limitations contained in § 310(b). These comments assume that § 310 remains law.

That is, the test should be triggered only when a foreign carrier seeks to acquire a controlling interest exceeding 20 percent in a U.S. international carrier.

Alternately, if the Commission, nevertheless decides to should adopt its original proposal despite its flaws, the Commission should also adopt a reciprocal affiliation approach to govern when that test is triggered. Under this approach, if the administration in a foreign country allows U.S. carriers to acquire interests in its domestic carriers up to a particular ownership level without prior approval, the Commission would apply the proposed entry test to carriers from that country only if they are seeking to acquire an interest in a U.S. international carrier above the same level. Under either of the approaches suggested here, the current standards for determining whether a foreign carrier's Section 214 application is in the public interest would continue to apply whenever a foreign carrier is seeking to acquire less than a controlling interest in a U.S. international carrier. By limiting the scope of application of the proposed test, the Commission would satisfy its obligation under Section 214 to ensure that the public interest is served without promoting the perception abroad that the test will result in substantial new restrictions on entry into the U.S. market.

The second issue the Commission should address is the misimpression that the effective market access test, if adopted, would appear to constitute an additional (though non-dispositive) hurdle that foreign carriers must overcome in applying to enter the U.S. market. The Commission does not propose to eliminate or modify any of the existing public interest factors it applies in considering foreign carrier applications. We believe that, in order to "counterbalance" the adverse impact of the effective market access test, the Commission should streamline the current Section 214 application process or accelerate its review of such applications. Absent any such counterbalancing steps by the Commission, foreign carriers and administrations may be

likely to misinterpret the Commission's actions as imposing an additional entry test and increasing restrictions on access to U.S. markets.

Third, the Commission should modify its approach to ensure that its proposal does not add significantly to the time currently required to process foreign carriers' Section 214 applications. While the Commission notes the drawbacks of its current case-by-case review of such applications¹⁶ and the potential advantages of a "uniform standard,"¹⁷ the approach proposed in the Notice may require even more detailed case-by-case review than under the current standard.¹⁸ Foreign carriers and administrations could view lengthy delays in processing applications under the revised public interest standard as a *de facto* restriction on entry into the U.S. market. To allay this concern, the Commission should adopt rules establishing deadlines for acting on all Section 214 applications and streamline the Section 214 application process by limiting the information required to be submitted to information directly related to the applicable public interest standard by which the application will be judged.

Fourth, the manner in which the Commission proposes to apply the test could actually increase the risk of that foreign carriers and governments would view the test as inequitable and that foreign administrations would consider the Commission's selective application of reciprocal principles as an invitation to respond with their own restrictions.¹⁹ To address this issue, the

¹⁶ Notice at ¶ 23.

¹⁷ Notice at ¶ 32.

¹⁸ Indeed, under its proposal, the Commission would review market conditions in the primary markets of each carrier seeking entry and balance the various factors in the public interest standard. For instance, the Commission proposes, on one hand, to make foreign carrier entry into the U.S. market contingent, at least in part, on whether U.S. carriers can enter the foreign carrier's primary markets. On the other hand, for purposes of applying this new market entry test, it proposes to adopt a uniform affiliation standard rather than a reciprocal standard. That is, the Commission would apply the effective market access test whenever a foreign carrier seeks to acquire an ownership interest in a U.S. international carrier above a level to be set in this proceeding, regardless of the level of foreign ownership that triggers scrutiny in the carrier's home market.

¹⁹ For example, assume that the FCC sets the affiliation standard at 10 percent, and that country X permits foreign carriers to acquire up to 25 percent of one of its carriers without requiring prior review and approval. In such a case, a carrier from country X that seeks to acquire between 10 and 25 percent of a U.S. international carrier would be subject

Commission should grant U.S. international carriers and foreign carriers “blanket” 214 authority to provide service on all international routes on which they would be required to seek Section 214 authority and where they are not affiliated with dominant carrier on the foreign end. By issuing blanket authorizations, the Commission could reduce duplicative and burdensome regulatory requirements on carriers. In addition, this approach also would be “administratively more efficient and less of a burden on the Commission’s resources.”²⁰ This approach would be consistent with the requirements of Section 214 since foreign carriers would still be required to obtain route-by-route authority on routes where they are affiliated with a dominant carrier on the foreign end and also would be required to file a separate Section 214 application if, after receiving blanket 214 authority, they subsequently became affiliated with a dominant carrier on the foreign end of an authorized route.

B. Adoption of a Reciprocal Market Access Standard Raises Significant Bilateral Trade Concerns

While it is not possible to know in advance whether foreign administrations would retaliate, senior policymakers in some of the United States’ major trading partners have expressed strong reservations about the type of reciprocal market access standard proposed by the Commission.²¹ Adoption of the proposed effective market access test would effectively involve the Commission to a greater extent than in the past in delicate bilateral trade relationships, which in turn could affect multilateral negotiations. The purpose of negotiations such as those related to the General Agreement on Trade in Services is to further the same goals enumerated by the Commission in the order. In considering whether to revise its market entry

to the Commission’s proposed effective market access test, while U.S. carriers seeking to acquire a similar interest in a carrier in country X would not be subject to an entry test.

²⁰ Notice at ¶ 22.

²¹ See note 7, *infra*.

policies, and in applying any new policies it adopts, NYNEX is confident that the Commission will act with extreme sensitivity to the potential international trade implications.

III. THE COMMISSION'S MARKET ENTRY RULES SHOULD REFLECT AND RECOGNIZE THE COMPLEXITY OF GLOBAL TELECOMMUNICATIONS MARKETS AND BUSINESS ARRANGEMENTS

NYNEX is among the telecommunications service providers that have "become increasingly global over the last several years."²² Our company is well into the implementation of its strategy "to serve (its) customers' needs through alliances with other service providers and entry into foreign international and domestic markets."²³ Our experience indicates that a key element in pursuing a global strategy is the ability to enter into a wide variety of business arrangements. These arrangements reflect the complexity and diversity of national markets and regulatory structures. As noted previously, the need for capital to modernize and expand existing infrastructure and to develop new networks has created many opportunities for NYNEX and other U.S. carriers to enter foreign telecommunications service markets. In crafting new market entry policies to reflect the globalization of telecommunications markets, NYNEX urges the Commission to recognize the diversity of ways in which U.S. carriers are entering foreign markets, including the international facilities-based services market. Whatever policies it adopts in this proceeding, the Commission should ensure that they continue to encourage opportunities for U.S. carriers to invest in foreign markets.

To highlight the diversity of our existing foreign market entry approaches and business arrangements, NYNEX briefly summarizes several international projects in which it is involved:

- ° **TelecomAsia:** In June 1992, TelecomAsia Corporation, Ltd. ("TelecomAsia"), a private sector Thai company, and a NYNEX subsidiary formed a strategic partnership to construct a two million line telephone network to serve the greater Bangkok metropolitan area. NYNEX subsequently acquired an equity interest in TelecomAsia,

²² Notice at ¶ 20.

²³ Notice at ¶ 21.

which contracted early in this decade with the Thai telecommunications authority to build, operate and maintain the new network for a 25-year period. Under the contract, the network itself is transferred to the telecommunications authority as each segment is constructed, but TelecomAsia operate the network under a revenue sharing agreement. The total construction project is expected to be completed within five years.

- **NYNEX CableComms:** NYNEX CableComms Ltd. is a wholly-owned subsidiary of NYNEX Corp. and is licensed to provide fiber-based broadband cable communications. The company has offered residential and business telecommunications services and cable television over the same network infrastructure in the United Kingdom through various franchises since September of 1991. It acts as the agent of associated companies that hold 17 franchises in north Kent, north and north-east Surrey and the south coast of England.
- **FLAG:** Project FLAG, or Fiber-optic Link Around the Globe, is an American-controlled, privately financed, high capacity undersea fiber-optic link that will connect Europe and the Far East through the Indian Ocean, using the most advanced optical fiber technologies available. Upon initiation of operations in late 1996, the FLAG cable system will be the longest fiber-optic link in the world. Agreements in principle to land the cable have been obtained from carriers in the United Kingdom, Spain, Italy, Egypt, India, Indonesia, Thailand, United Arab Emirates, Malaysia, Hong Kong, Korea and Japan.
- **Czech and Polish Directories:** In August 1991, NYNEX Information Resources Company ("NIRC") became the official Yellow Pages directory for the city of Prague. NIRC has since signed a 13-year contract to publish seven Yellow Pages and White Pages directories in the Czech Republic. NIRC also has entered into agreements to publish Yellow Pages and White Pages directories in Poland.

These examples illustrate the point that NYNEX operates very differently in countries that are diverse in terms of their economic development, extent of regulatory liberalization, and competitive business opportunities. These various national markets involved are highly dynamic and have been opened to foreign investment primarily because of the need to attract capital. But, as much as these opportunities are dependent on the degree of regulation and liberalization occurring in those countries, they are also affected by the policies of the United States.²⁴

²⁴ NYNEX notes, for instance, that it might not have been able to pursue cable TV opportunities in the United Kingdom had the U.K. applied a reciprocal market access test in licensing foreign carriers to enter its market. NYNEX CableComms operates in a market that in significant respects is more open to competition and foreign investment than the United States. In particular, the U.K. allows higher levels of foreign ownership of radio licenses than allowed under U.S. law. U.K. regulations have allowed NYNEX CableComms to compete in the provision of both voice and video services since it began operations in 1990, while its U.S. local exchange affiliates have only recently won the legal right to do so. This freedom gives NYNEX an excellent opportunity to develop technical and marketing expertise in the delivery of integrated voice and video services. NYNEX notes that it would not have had these

These examples also demonstrate the need for the Commission to address its concerns about “asymmetric” market entry with caution and prudence. The FCC’s international policies should recognize the diversity of private investment arrangements that are driving the globalization of the telecommunications market. Each country in which NYNEX operates has taken a different path to liberalization, depending on its market and governmental traditions. These countries are moving toward greater openness, and each has opened substantial opportunities for American companies. In considering whether to adopt the proposed effective market access test, NYNEX urges the Commission to consider whether the test would encourage or hinder NYNEX’s and other U.S. carriers’ ability to enter into the types of business arrangements discussed here. NYNEX’s international experience leads us to conclude that a relatively more open, less regulatory market entry policy in the U.S. will encourage the continued flow of capital into telecommunications markets around the world, thus furthering the Commission’s objectives in this proceeding.

A. The Commission’s Policies Should Not Favor One Type of Business Arrangement Over Another

In addition to the proposals offered above, NYNEX also urges the Commission to adopt a policy that will ensure that its foreign entry regulations that will apply similarly to all business arrangements. In the Notice, the Commission tentatively concludes that “co-marketing arrangements such as AT&T’s WorldPartners Company” would not be subject to the foreign carrier entry regulations.²⁵ NYNEX is concerned that this inconsistent approach which would apply regulation based on the type of business arrangement may have unintended negative results. For example, given AT&T’s already formidable presence in the global

opportunities if the U.K. had limited foreign carrier participation to carriers from countries with comparably open local telecommunications markets.

²⁵ Notice at ¶ 63.

telecommunications market, it is in a position to negotiate non-equity business arrangements, such as AT&T WorldPartners, with foreign partners. In many cases, these foreign partners are carriers that operate in markets that fall short of the Commission's proposed standard of "effective market access" to U.S. carriers. Other U.S. carriers, including NYNEX, may not be in a position to negotiate such non-equity arrangements. In order to form similarly advantageous global alliances, NYNEX may have to exchange equity interests with potential partners. Such equity arrangements could trigger the Commission's proposed market access test which, at a minimum, would delay formation of the partnership. At worst, the standard would raise the specter of Commission review, and effectively stifle strategic business partnerships. The inequity of such a policy approach by the Commission could seriously, and adversely, impact many small and medium-sized carriers. The net result could be the adoption of a policy that would, in practice, favor dominant carriers in the international telecommunications market, while imposing an additional entry barrier on nondominant carriers seeking to participate in the international telecommunications marketplace. In order to treat non-dominant and dominant carriers equitably and to eliminate entry barriers that may disproportionately impact non-dominance carriers, NYNEX suggests that the Commission modify its proposed standard as described herein and streamline the international Section 214 application process as we have proposed.

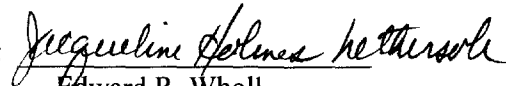
IV. CONCLUSION

NYNEX supports the Commission's efforts to reexamine its regulation of U.S. international telecommunications services and commends the Commission for seeking opportunities to encourage liberalization of international markets. The proposed effective market access test proposed by the Commission, however, could be viewed as the imposition of new restrictions on entry into the U.S. market by foreign carriers and, as a result, could prompt foreign administrations to retaliate. If such retaliation occurs, U.S. consumers and carriers generally will lose the benefits of continued progress toward liberalized international telecommunications markets, and NYNEX, in particular, may lose valuable opportunities to invest abroad and further its global business strategy. Nonetheless, should the Commission decide to adopt the proposed effective market access standard, the Commission should limit the scope of application of the proposed standard as proposed herein. Furthermore, regardless of whether the Commission adopts the effective market test or any additional reciprocal access standard, it should streamline the current Section 214 international facilities application process as described in these comments.

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